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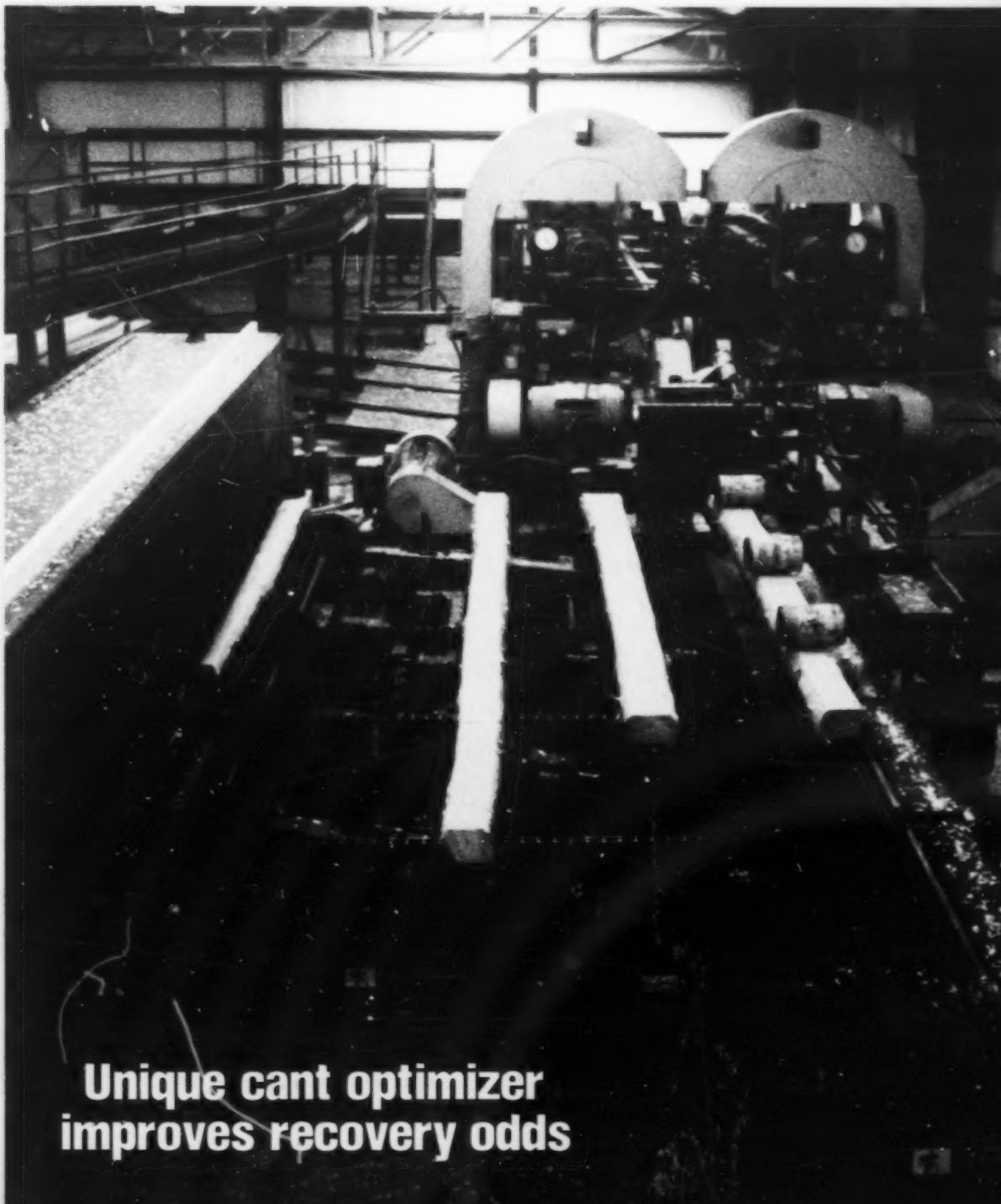
JUNE 1985

FOREST INDUSTRIES

LOGGING/PULPWOOD/FORESTRY/LUMBER/PANELS



Unique cant optimizer improves recovery odds

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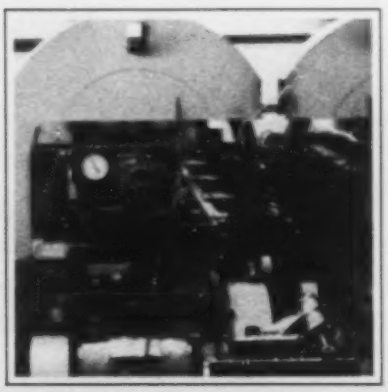

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Forest firms' profits fell with quarter's economy

SAN FRANCISCO, CALIF.—Sluggish performance in general for the U.S. economy showed up in earnings figures in the forest products industry as well.

But the news was not all bad: at least three companies, Champion International, Chesapeake and Willamette Industries, saw their first-quarter earnings jump more than 50% over the same period last year.

In general, corporate profits fell 11% during the first quarter of 1985, as compared to 1984. It was the first year-to-year drop since an 8% decline in 1983's first quarter, according to a *Wall Street Journal* survey. But economists predict a small gain for 1985 for U.S. corporate profits as a whole.

While forest products companies' profits were down 7% in the newspaper's survey (which covered 16 major integrated companies), homebuilders' combined profits were up. However, only four large homebuilding corporations were included in the *Journal* survey. Their first-quarter profits jumped 47% over 1984's first three months.

Building materials companies (not including forestry firms) reported an overall 19% rise in corporate profits. Forest products companies, on the other hand, said their earnings dropped 7% compared to 1984's first quarter.

Overcapacity and the resulting soft prices for lumber and construction panels kept profits low or nonexistent in solid wood products. But demand for coated papers and newsprint was generally good, helping boost profits on paper products in spite of weak prices for market pulp. Pulp and paper commodities, which are traded on worldwide markets, seem to be facing the same problems as lumber and plywood.

U.S. firms face additional problems because of the strong dollar. It prices exports of lumber, pulp and other products out of many markets.

Canadian companies benefited from the relative weakness of their dollar, the *Journal* reported. Its survey of Canadian companies showed an overall 13% rise in first-quarter profits. By comparison, the U.S. composite results were down 11%. Although slower economic growth in the U.S. is likely to hurt Canadian export sales, the Canadian dollar's 5% decline against the U.S. unit since Jan. 1 will partly compensate, the newspaper said.

Fourteen Canadian forestry firms reported combined first-quarter profits of nearly C$80 million, more than nine times the C$8.6 million they earned a year ago. MacMillan Bloedel's C$2.6-million profit compared to a loss of C$17.5 million in the first quarter of 1984. Crown Forest Industries also moved from a quarterly loss a year ago to profits of C$3 million this year.

What does the rest of 1985 hold, economically? As usual, economists read the statistics differently. Optimists say the economy won't do too badly until sometime next year. Pessimists warn of a recession much sooner. After 2½ years of expansion, signs of constraints on growth are growing, according to another *Wall Street Journal* survey.

Higher consumer debt levels and lower savings rates, as reported by federal agencies, indicate that the economy may not have the funds to finance growth. On the other hand, there is plenty of unused plant capacity and unemployment remains relatively high at 7.3%. These factors indicate companies could add production relatively easily.

This mixed picture could indicate that a recession is closer than the optimists believe, the *Journal* concludes. "But it's not on top of us," added Robert Gough, an economist at Data Resources Inc., an economic-analysis firm. He figures a recession could start around the end of the year, "but it's still too early to say with any degree of certainty." ■

First quarter sales and earnings

Company	1st Qtr Sales ($000)	% Chg	1st Qtr Earngs[1] ($000)	% Chg
Boise Cascade	957,520	-1.0	33,280	19.4
Champion Intl	1,645,814	7.5	43,756	80.2
Chesapeake	81,773	10.8	4,373	63.6
Crown Zellerbach	762,000	7.6	19,200	-9.4
Georgia-Pacific	1,580,000	6.2	48,000	14.6
Hammermill	428,050	1.0	7,922	-47.7
Intl Paper	1,130,000	-1.7	87,100	-32.9
Louisiana-Pacific	270,990	-12.3	-1,300	n.m.[2]
Pope & Talbot	83,053	3.3	2,200	4.3
Potlatch	234,700	-8.2	11,500	-8.0
Scott Paper	606,200	1.1	42,100	23.1
Southwest Forest	170,484	-2.5	-1,804	n.m.[2]
Temple-Inland	313,500	0.0	21,700	4.3
Union Camp	483,687	-6.5	29,766	-29.5
Weyerhaeuser	1,275,700	-0.1	38,248	4.4
Willamette	287,924	1.4	14,271	74.3
Canadian companies (figures in Canadian dollars)				
Abitibi-Price	581,433	23.5	23,723	129.3
B.C. Forest	277,600	62.1	9,000	n.m.[2]
Canfor	248,500	9.8	-18,800	n.m.[2]
Crown Forest	192,900	42.2	3,000	n.m.[2]
Domtar	527,300	3.6	28,800	26.3
Mac. Bloedel	538,600	30.8	2,600	n.m.[2]

[1] Earnings = income after taxes from continuing operations, excluding most significant nonrecurring items.

[2] Not meaningful due to loss in 1984 quarter.

Wood-fired plant set; LVL, MDF mills start

SAN FRANCISCO, CALIF.—Startups of two solid-wood plants and plans to build a wood-fired power plant top the news of capital outlays this month.

• Louisiana-Pacific Corp. has begun producing medium-density fiberboard on the first continuous MDF press in the U.S. The new Siempelkamp press is working at L-P's mill in Oroville, Calif. The MDF facility can produce 50 million ft² a year (¾-in. basis).

• Trus Joist Corp. has started up a laminated veneer lumber plant in Natchitoches, La. The $13-million plant is due for completion next year, but already employs 75; 100 people will work there when the plant is complete. It will have an annual capacity of more than 6 million bd ft of southern pine LVL.

• A Maine lumber producer and a California company will build a $30-million wood-fired electricity plant in Sherman Station, Maine. Maine Public Service Co. will buy the plant's 18 megawatts of power. Partners in the project are Sherman Lumber Co. (which will supply 30% to 40% of the plant's 260,000 tons/yr fuel needs) and Signal Energy Systems (a unit of The Signal Companies, La Jolla, Calif.). ■

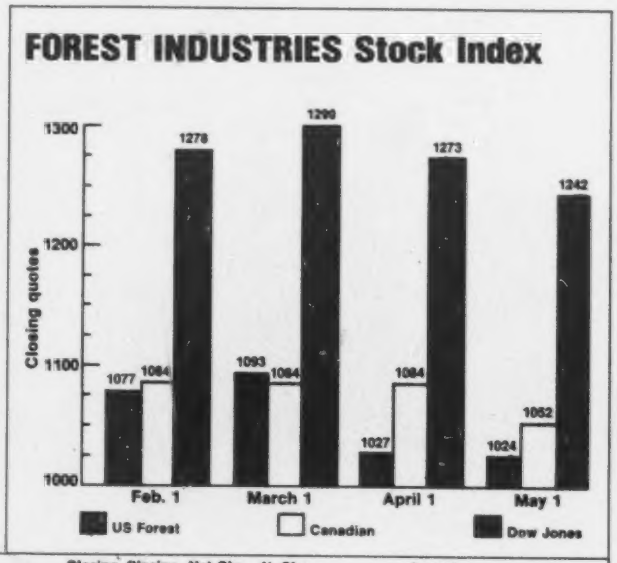
New 'FI Index' monitors industry stock performance

SAN FRANCISCO, CALIF.—In this issue of FOREST INDUSTRIES, we are proud to introduce a valuable and informative financial feature which we believe will be of great value to our readers.

Compiled by the Stock Market Analysts at Nordby International in Boulder, Colo., this financial barometer will monitor, on a monthly basis, the business climate of the publicly traded companies in the forestry industry. Such an examination can prove to be a barometer-like indication of whether future business performances will be fair or foul in this region.

This feature employs some unique concepts which will allow our readers to extract pertinent data on the financial health of the forestry industry. First of all, Nordby International Inc. has developed an index exclusively for FOREST INDUSTRIES which will give a graphic representation of the collective performance of the stocks that make up this large and diverse business region. This index is in turn compared with the Dow Jones Industrial Average Index to see exactly how they performed during the period. In other words, the individual performances of the stocks can be seen in the company-by-company table while the performance of the entire portfolio of stocks is viewed through the FOREST INDUSTRIES Stock Index.

Secondly, we will employ the Market Diary which recaps the vital statistics from the tables and graphs into a capsule format for easy review of the past month's activity. This section monitors the most active issues during the monthly period in conjunction with an index summary which compares the performance of the FI Index to a number of national index indicators. ■



Exch	Company	Ticker Symbol	Closing Price 4/1/85	Closing Price 5/1/85	Net Chg in Period	% Chg in Period	P/E Ratio	Annual Dividend Rate	Annual Dividend Yield	52 Week High	52 Week Low
OTC	Bohemia Inc.	BOHM	9.75	9.75	0.00	0.00	d	.10	1.03	13.50	7.75
NYS	Boise Cascade	BCC	38.25	38.63	.38	.99	16	1.90	4.92	44.63	32.50
NYS	Bowater Inc.	BOW	21.88	21.25	-.63	-2.88	8	.72	3.39	25.88	14.88
NYS	Champion Intl	CHA	21.13	22.00	.87	4.12	d	.40	1.82	24.75	16.88
NYS	Chesapeake	CSK	34.75	35.63	.88	2.53	10	1.24	3.48	39.50	31.25
OTC	Consol. Paper	CPER	36.75	40.25	3.50	9.52	10	.13	.32	42.50	25.13
NYS	Crown Zellerbach	ZB	41.75	41.38	-.37	-.89	16	1.00	2.42	44.88	27.75
NYS	Fed. Paper Board	FBO	18.63	17.63	-1.00	-5.37	6	.70	3.97	27.00	16.63
NYS	Ft. Howard Paper	FHP	64.00	64.75	.75	1.17	15	1.64	2.53	67.88	50.13
NYS	Georgia-Pacific	GP	21.88	20.88	-1.00	-4.57	22	.80	3.83	27.38	18.00
ASE	Glatfelter (P.H.)	GLT	30.38	34.13	3.75	12.34	15	.88	2.58	34.50	17.00
NYS	Gr. Northern Nek.	GNN	35.75	35.25	-.50	-1.40	9	1.52	4.31	43.25	31.00
NYS	Hammermill	HML	30.88	30.63	-.25	-.81	9	1.36	4.44	36.88	25.75
NYS	Intl Paper	IP	49.63	49.25	-.38	-.77	33	2.40	4.87	57.75	46.00
NYS	James River	JR	25.13	26.00	.87	3.46	8	.56	2.15	34.50	23.50
OTC	Jefferson Smurfit	JJSC	20.25	17.50	-2.75	-13.58	7	.40	2.29	25.25	15.00
NYS	Kimberly-Clark	KMB	48.63	52.50	3.87	7.96	10	2.32	4.42	53.88	39.38
NYS	Koppers Corp.	KOP	18.75	17.50	-1.25	-6.67	23	.80	4.57	23.25	17.13
OTC	Longview Fibre	LFBR	23.00	23.75	.75	3.26	11	1.28	5.39	25.75	20.25
NYS	Louisiana-Pacific	LPX	20.63	19.38	-1.25	-6.06	37	.80	4.13	25.13	17.00
NYS	Mead Corp.	MEA	38.00	37.50	-.50	-1.32	8	1.20	3.20	41.25	27.13
OTC	Mosinee Paper	MOSI	13.38	12.25	-1.13	-8.45	8	.36	2.94	14.63	11.88
NYS	Pacific Lumber	PL	25.63	24.50	-1.13	-4.41	15	1.20	4.90	29.00	21.13
OTC	Pentair Inc.	PNTA	23.25	25.00	1.75	7.53	9	.68	2.72	26.25	18.38
NYS	Pope & Talbot	POP	19.25	19.75	.50	2.60	d	.80	4.05	20.00	15.00
NYS	Potlatch Corp.	PCH	32.13	33.50	1.37	4.26	12	1.56	4.66	38.13	25.75
NYS	Scott Paper Co.	SPP	36.38	35.75	-.63	-1.73	9	1.24	3.47	39.25	25.75
OTC	Sonoco Products	SONO	46.50	46.25	-.25	-.54	d	1.44	3.11	47.25	37.50
NYS	Southwest Forest	SWF	13.75	12.00	-1.75	-12.73	26	0.00	0.00	22.13	11.75
NYS	Stone Container	STO	27.00	26.13	-.87	-3.22	9	.60	2.30	39.50	25.00
NYS	Temple-Inland	TIN	33.13	32.88	-.25	-.75	8	.64	1.95	39.50	25.50
NYS	Union Camp	UCC	34.25	34.25	0.00	0.00	10	1.64	4.79	41.25	30.88
NYS	Westvaco Corp.	W	37.50	37.75	.25	.67	8	1.32	3.50	41.00	31.75
NYS	Weyerhaeuser Co.	WY	28.38	27.13	-1.25	-4.40	18	1.30	4.79	34.00	25.00
OTC	Willamette Ind.	WMTT	37.00	38.75	1.75	4.73	8	1.50	3.87	46.25	23.25
Canadian Forest Products Companies											
TOR	Abitibi-Price	—	55.50	53.38	-2.12	-3.82	16	1.60	3.00	57.75	24.50
TOR	BC Forest Prod.	—	9.75	9.25	-.50	-5.13	57	.13	1.41	12.50	8.38
TOR	Canfor Ltd.	—	9.25	9.50	.25	2.70	d	0.00	0.00	23.75	9.00
TOR	Consol.-Bathurst	—	17.50	16.38	-1.12	-6.40	13	.60	3.66	18.50	12.63
TOR	Crestbrook	—	8.00	8.00	0.00	0.00	66	.05	.62	10.00	7.50
TOR	Crown For. Ind.	—	30.50	30.63	.13	.43	d	0.00	0.00	31.50	30.25
TOR	Domtar Inc.	—	38.38	35.88	-2.50	-6.51	8	1.40	3.90	39.63	29.00
MON	Donohue Inc.	—	17.38	16.75	-.63	-3.62	8	.72	4.30	19.75	12.50
TOR	Great Lakes	—	89.00	87.00	-2.00	-2.25	25	1.60	1.84	96.00	76.00
TOR	MacMil. Bloedel	—	26.00	25.38	-.62	-2.38	—	2.12	8.35	33.25	22.75

Market Diary

Most Active Issues

Largest dollar gainer: Kimberly-Clark, +$3.87
Largest dollar loser: Jefferson Smurfit, -$2.75
Largest percentage gainer: Glatfelter (P.H.), +12.34%
Largest percentage loser: Jefferson Smurfit, -13.58%

Advances, 14; Declines, 19; Unchanged, 2; New highs, 0; New lows, 0

KEY: (H) = New High; (L) = New Low; (d) = Deficit. NYS = New York; ASE = American; OTC = Over the Counter; MON = Montreal; TOR = Toronto..

All OTC quotes are represented as the bid price. All Canadian quotes are in Canadian dollars.

Compiled by Nordby International Inc., Boulder, Colo. (303) 449-6526.

The information and statistics contained herein have been obtained from sources believed to be reliable, but are not guaranteed to be all-inclusive or complete. This is not to be construed as an offer or the solicitation of an offer to sell the securities herein mentioned. This information is subject to change without notice.

Market Diary	Close 4/1/85	Close 5/1/85	Net Chg in Pd	% Chg in Pd
FI Stock Index	1027.24	1024.41	-2.83	-.28
Canadian Forestry Stock Index	1084.16	1052.36	-31.80	-2.93
Dow Jones Industrial Ave.	1272.75	1242.05	-30.70	-2.41
Standard & Poor's 500-Stock Index	181.27	178.37	-2.90	-1.60
Standard & Poor's 400 Industrials	202.25	198.32	-3.93	-1.94
NYSE Composite	104.90	103.35	-1.55	-1.48